Supreme Court, U.S.
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No. 91-1862

IN THE

Supreme Court of the United States

OCTOBER TERM, 1991

EDAP, S.A.,

Petitioner,

vs.

RICHARD WOLF GmbH and RICHARD WOLF MEDICAL INSTRUMENTS CORP.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

WILLIAM SCHURTMAN
Counsel of Record
GREGORY F. HAUSER
WALTER, CONSTON, ALEXANDER & GREEN P.C.
90 Park Avenue
New York, New York 10016
(212) 210-9400

Counsel for Respondents

QUESTIONS PRESENTED

1. Whether the Court of Appeals for the Federal Circuit, the District Court for the Northern District of Illinois, and the Magistrate below all erred in determining that petitioner should not be permitted to take respondents' confidential documents produced in pre-trial discovery pursuant to a protective order in this action and to use them in another action, to which respondents are not parties, after petitioner had expressly agreed to return or to destroy those documents following the conclusion of this action, after respondents had relied on that agreement in producing the documents and in settling this action, and where it would be difficult for respondents to protect their interests under a protective order in the second action to which they are not parties?

2. Whether public policy requires that petitioner, after inducing respondents to settle this action in reliance on a protective order that required petitioner to return or to destroy respondents' confidential documents, and after breaching the protective order and settlement agreement by refusing to do so, should now be entitled to a modification of the protective order allowing petitioner to invade respondents' privacy, to retain those documents, which had not been introduced into evidence, and to use them in another action, to which respondents are not parties, in an effort to sustain the validity of petitioner's patent?

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

Respondents Richard Wolf GmbH and Richard Wolf Medical Instruments Corp. (hereinafter collectively "Wolf") submit this brief in opposition to the petition of EDAP, S.A. ("EDAP"), for a writ of certiorari to the United States Court of Appeals for the Federal Circuit, which affirmed *per curiam* the order of the United States District Court for the Northern District of Illinois overruling EDAP's objections to the decision of the Magistrate below that denied EDAP's motion to modify a protective order.

ADDITIONAL RULE INVOLVED

Petitioner has omitted to set out the authority pursuant to which the protective order at issue was entered, namely, Federal Rule of Civil Procedure 26(c):

> **Protective Orders.** Upon motion by a party or by the person from whom discovery is sought and for good cause shown, the court in which the action is pending or alternatively, on matters relating to a deposition, the court in the district where the deposition is to be taken may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following: (1) that the discovery not be had; (2) that the discovery may be had only on specified terms and conditions, including a designation of the time or place; (3) that the discovery may be had only by a method of discovery other than that selected by the party seeking discovery; (4) that certain matters not be inquired into, or that the scope of the discovery be limited to certain matters; (5) that discovery be conducted with no one present except persons designated by the court; (6) that a deposition after being sealed be opened only by order of the court; (7) that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way; (8) that the parties simultaneously file specified documents or information enclosed in sealed envelopes to be opened as directed by the court.
>
> If the motion for a protective order is denied in whole or in part, the court may, on such terms and conditions as are just, order that any party or person provide or permit discovery. The provisions of Rule 37(a)(4) apply to the award of expenses incurred in relation to the motion.

STATEMENT OF THE CASE

EDAP's Statement of the Case fails to mention the central fact that EDAP induced Wolf to settle this action without disclosing that EDAP did not intend to meet its obligation under the protective order at issue to return or to destroy Wolf's confidential and proprietary documents. Instead, EDAP's actions show that it meant all along to retain and to use the documents in its separate California lawsuit against another competitor, Diasonics. These circumstances are discussed in detail in the opinion of the Magistrate below. (A7-13.[1])

In September 1989, Wolf and EDAP negotiated a comprehensive settlement of a bitter and hard-fought international patent dispute, which had been litigated in the United States and several European countries. Wolf had won many of the battles; for example, it had prevailed at a trial in England, where the High Court of Justice ruled in the alternative either that Wolf had not infringed EDAP's patent or that, if infringed, the patent was invalid. Wolf had also defeated actions in Italy and the Netherlands, in which EDAP sought preliminary injunctions, and had won dismissal of an attempted criminal action for patent infringement in Switzerland.

Several years of unrelenting and exceedingly costly world-wide litigation, however, had taken their toll. Faced with the cost and risks of a lengthy jury trial in the United States, to say nothing of subsequent appeals and possible further litigation in other countries, as well as the risk that such court proceedings would reveal confidential Wolf information to competitors, Wolf decided in 1989 to settle the dispute on a worldwide basis and prior to the trial in the U.S. action.

One of Wolf's major concerns was to retrieve the many confidential documents which, as a party, it had been required to produce during pre-trial discovery in the U.S. litigation. Wolf had produced these documents pursuant to a protective order. The protective order was not a blanket order, rather, it provided

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[1] References to A ____ are to the Appendix to the Petition.

that the parties could protect selected, individual documents, interrogatory responses or pages of deposition transcripts by designating them either "Confidential" or "Sensitive Confidential." The order limited the former designation to proprietary technical or research and development data and the latter to proprietary financial information.

Beginning in early 1988, Wolf had produced to EDAP over 35,000 pages of documents, and fourteen of its employees and attorneys gave dozens of volumes of deposition testimony. Wolf designated only a fraction of this as "Confidential" or "Sensitive Confidential."

The protective order also provided, in paragraph 14:

> Within thirty (30) days after final termination of this case, receiving counsel shall return all originals, copies and samples of materials containing CONFIDENTIAL INFORMATION or SENSITIVE CONFIDENTIAL INFORMATION in his possession, custody or control to counsel for the party who has provided them in discovery or certify destruction thereof.

On December 30, 1988, months before the negotiations leading to the settlement between Wolf and EDAP had begun, Diasonics had served on EDAP a document request in their separate California litigation that sought Wolf's documents produced to EDAP in the Illinois action. Yet, at no time during (or, for that matter, before) the settlement negotiations did EDAP disclose this to Wolf, as the Magistrate found in her opinion below (A10).

The consent judgment, dated October 12, 1989, expressly provided, in paragraph five (A8):

> The Amended Protective Order, . . . heretofore stipulated by all parties and entered by the Court in this action, shall remain in effect, and documents and other information produced or otherwise given

> pursuant to said Amended Protective Order shall remain subject to said Order. Jurisdiction of this Court is reserved with respect to the provisions of said Amended Protective Order.

It was not until December 29, 1989 — more than two months after entry of the consent judgment — that EDAP disclosed for the first time that a full year before it had received the document request from Diasonics. It was not until January 16, 1990, that Wolf was informed that EDAP had not proceeded with the required destruction or return of Wolf's confidential documents and that Diasonics and EDAP would seek to modify the protective order to allow the use of those documents in the California action. The actual motion to modify the protective order was made on January 22, 1990. This was well after Wolf's attorneys had already destroyed the confidential documents produced to them by EDAP.[2]

When EDAP initially joined Diasonics' motion for a modification of the protective order, its principal argument was that EDAP was required to produce the Wolf documents in the California action pursuant to a discovery request by Diasonics, and that EDAP therefore found itself between "Scylla and Charybdis." EDAP mentioned only in passing that it also wanted to use the Wolf documents for its own purposes.[3]

The district court referred the motion to the Magistrate, who had spent approximately two years supervising the numerous discovery battles between Wolf and EDAP, had approved the confidentiality order, and was thoroughly familiar with the parties, the documents and prior problems with enforcing the confidentiality order against EDAP.[4] At the Magistrate's direction,

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[2] The bulk of Wolf's destruction had taken place on December 7 and 8, 1989.

[3] As the district court noted (A4): "EDAP's motion ambiguously requests permission to 'use and produce' the Wolf discovery materials to Diasonics."

[4] For a time, an attorney for EDAP, William A. Drucker, had been precluded from access to Wolf's confidential documents because, *inter alia*, another

(Footnote continued)

EDAP provided a list of the Wolf confidential documents and deposition transcripts that EDAP wished to use in the California litigation. The list included virtually all of those materials, comprising approximately three thousand pages. EDAP did not elaborate on its conclusory, blunderbuss claim that the documents it listed were all relevant to the issues in the California action.

After extensive briefing and oral argument, the Magistrate denied the motion on the grounds that neither EDAP nor Diasonics had shown sufficient cause to modify the protective order (A7-13).

EDAP promptly filed objections to the Magistrate's order. Diasonics did not join the objections, and EDAP's position then became clear: It had retained Wolf's confidential documents not to comply with Diasonics' discovery request but solely for EDAP's *own* use in litigating against Diasonics.[5]

In its decision, the district court concluded that the Magistrate's order was not clearly erroneous or contrary to law and overruled EDAP's objections (A3-6). The United States Court of Appeals for the Federal Circuit affirmed *per curiam* (A1-2). In addition, on March 19, 1991, the Federal Circuit denied EDAP's petition for rehearing and suggestion for rehearing in banc and, on April 8, 1991, denied EDAP's petition to vacate and/or stay the court of appeals' mandate pending this Court's action on the present petition for a writ of certiorari.

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federal court had previously held that he had acted in bad faith with regard to document discovery. See *Struthers Patent Corp. v. Nestle Co.*, 558 F. Supp. 747, 756-66 (D.N.J. 1981). In addition, the district court admonished the lead attorney for EDAP for providing a list of Wolf's confidential documents to EDAP's counsel in the English case. Thus, the Magistrate referred to her "concern, based on experience in the case, that certain persons with EDAP or representing it could not be trusted to abide even by a protective order." (A12.)

[5] The district court stated (A4): "The Court understands Diasonics' needs, but now that Diasonics has dropped from consideration, the court's focus should be only on EDAP's interest in using and producing the Wolf materials."

The Declarations of the Attorneys for Diasonics and Wolf

In its Statement of the Case, EDAP relies on the declarations of two Diasonics attorneys who claim that, in telephone conversations in October 1989 with Wolf's attorneys, the latter were informed by Diasonics of the outstanding document request and gave assurances that they would maintain "documents from the Chicago lawsuit" for Diasonics' use in the California case.

To begin with, the alleged communications with Diasonics' attorneys are now irrelevant to this proceeding since Diasonics did not join in the objections to the Magistrate's decision and was not a party to the appeal below.

Even if relevant, the declarations of Diasonics' attorneys are contradicted by the declarations of Wolf's attorneys and their notes of the telephone conversations in question. Mr. Panitch, the Wolf attorney with whom Diasonics' counsel first spoke by telephone, declared that "I . . . understood that no [document] demand had yet been made on [counsel for EDAP] . . . . I made no promises to Mr. Taylor regarding document retention." Mr. Schwarze, with whom Diasonics' attorneys next spoke, declared that "I do not recall Messrs. Taylor, Reagin and Halvorson ever telling me that Diasonics had served any document request on EDAP for Wolf documents", and his contemporaneous notes of the conversation say: "Interested in prior art, not documents covered by Protective Order."

Both sets of declarations were before the fact finder, the Magistrate, who found that Wolf's version of the relevant events was the better supported (A9-10) and that neither EDAP nor Diasonics was entitled to access to the Wolf documents. Both sets of declarations were also before the district court, which affirmed the Magistrate's decision, and the court of appeals, which affirmed the district court.

Finally, there is no dispute that the first mention to Wolf by EDAP of Diasonics' document request did not come until December 29, 1989.

SUMMARY OF THE ARGUMENT

This Court and lower federal courts have made clear that the making and enforcement of protective orders are necessary to the proper functioning of pre-trial discovery under the Federal Rules of Civil Procedure, *inter alia*, to protect the privacy interests of litigants and third-party witnesses from undue invasion and to facilitate the complete preparation of civil disputes for trial. EDAP's unsuccessful attack on the enforcement of the protective order below, if sanctioned now, would betray those policies as well as Wolf's reliance on that order. There is also no support in the policies underlying the patent laws to justify the invasion of Wolf's privacy that EDAP seeks in the interest solely of searching out potential evidence that could at best go only to secondary indicia of the validity of EDAP's patent.

The case law on which EDAP relies is inapplicable because the decisions each involved modification of a protective order in one action to allow production of protected materials in a second to which the producing party from the first action was also a party. Wolf is not, however, a party to the second action by EDAP against Diasonics. There is significant precedent among the federal courts for refusal to modify a protective order when the modification would allow use of the protected materials for other than a second civil litigation to which the producing entity is also a party. This authority is particularly applicable in cases such as Wolf's, where it has demonstrated reliance on the terms of the protective order both in producing the materials to EDAP and in settling its suit with EDAP.

As the Magistrate below found (and as affirmed by the district court and court of appeals), EDAP induced Wolf's reliance and violated the protective order, the settlement agreement, and the consent judgment in not disclosing prior to the settlement EDAP's desire to use Wolf's confidential materials in the California action and in not returning or destroying those documents as required by the protective order. The Magistrate also found that disclosure of the documents would expose Wolf to serious competitive risk. The record amply supports those findings. EDAP's bad faith and violation of the order and of its agreement

should not now give it greater rights against Wolf than if there had been no such prior dealings, particularly since it would be difficult if not impossible for Wolf to police use of its materials in the California action. The writ should be denied.

ARGUMENT

I. The Writ of Certiorari Should Be Denied Because No Important Question of Federal Law Is Presented

EDAP invokes the policies underlying the Federal Rules of Civil Procedure and the patent laws in support of its petition for review by this Court. In actuality, the three decisions below – all denying petitioner's application and its successive albeit unsuccessful appeals – properly served and applied those policies.

The lower courts' enforcement of the protective order against EDAP and refusal to allow the use of Wolf's confidential pretrial discovery materials beyond the present action were completely consistent with the Federal Rules of Civil Procedure. This Court has explained their underlying policy and how they should be applied in the case of a protective order:

> . . . pretrial depositions and interrogatories are not public components of a civil trial. . . . Therefore, restraints on discovered, but not yet admitted, information are not a restriction on a traditionally public source of information.
>
> * * *
>
> Rule 26(c) [authorizing protective orders] furthers a substantial governmental interest . . . . Liberal discovery is provided for the sole purpose of assisting in the preparation and trial, or the settlement, of litigated disputes. Because of the liberality of discovery permitted by Rule 26(b)(1), it is necessary for the trial court to have the authority to issue protective orders conferred by Rule 26(c). It is clear from experience

> that pretrial discovery by depositions and interrogatories has a significant potential for abuse. This abuse is not limited to matters of delay and expense; discovery may also seriously implicate privacy interests of litigants and third parties.

Seattle Times Co. v. Rhinehart, 467 U.S. 20, 33, 34-35 (1984). Petitioner remarkably ignores this decision, although it was a point of argument in the court of appeals and it speaks directly to the dispute now before this Court.

Pretrial discovery in this action was massive in scope, presenting the "significant potential for abuse" of which this Court spoke in *Seattle Times v. Rhinehart*. The scope of discovery implicated directly Wolf's interest in maintaining the privacy of its confidential and proprietary research, engineering and financial information concerning its lithotriptor, especially since the lithotripsy market is intensely competitive. To suggest, as petitioner does, that the Federal Rules of Civil Procedure and their underlying policies should force Wolf to disclose those materials to still another competitor, in an action in which Wolf will be unable adequately (if at all) to monitor or to object to their use or further disclosure, flies in the face of the policy that supports the protective order on which Wolf relied in producing those materials and in settling its action with EDAP.

Petitioner's suggestion that the general proscription of Rule 1 of the Federal Rules of Civil Procedure somehow overcomes these concerns turns the actual matter on its head, as the Court of Appeals for the Second Circuit has explained:

> . . . the vital function of a protective order issued under Rule 26(c), F.R.Civ.P. . . . is to "secure the just, speedy, and inexpensive determination" of civil disputes, Rule 1, F.R.Civ.P., by encouraging full disclosure of all evidence that might conceivably be relevant. This objective represents the cornerstone of our administration of civil justice. Unless a valid Rule 26(c) protective order is to be fully and fairly enforceable, witnesses relying upon such orders will be

> inhibited from giving essential testimony in civil litigation, thus undermining a procedural system that has been successfully developed over the years for disposition of civil differences.

Martindell v. Int'l Tel. and Tel. Corp., 594 F.2d 291, 295 (2d Cir. 1979). And, as a district court noted in a decision relied upon by petitioner:

> The Federal Rules create a statutory presumption in favor of open discovery. This presumption serves the public interest of assuring the integrity of the judicial process. *This purpose is not served, however, by the disclosure of materials obtained through pretrial processes and not relied upon by the Court. Cf. Seattle Times, supra*, 467 U.S. at 33, 104 S.Ct. at 2208.

Tavoulareas v. Washington Post Co., 111 F.R.D. 653, 660 (D.D.C. 1986) (additional citations omitted; emphasis added).

EDAP's attempted appeal to the policies underlying the patent laws, and even the patent clause of the Constitution, similarly inverts those policies. EDAP relies heavily on this Court's decision in *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945); there are three infirmities in EDAP's approach.

First, as made clear in a Second Circuit case that this Court's decision cited (*see id.* at 330), the public interest at stake was not in the general validity of patents, but rather in the invalidation of patents that should not have been issued:

> Indeed, since the public is affected, there is much to be said for a decision in such a case as to the invalidity of the alleged patent monopoly (either alone or in conjunction with a decision of non-infringement) whenever the issue of invalidity is before the court and the evidence warrants such a decision. For a decision as to invalidity will tend to discourage suits against others based on that patent, and mere threats of patent

> suits, due to the expense of defending such litigation, may often prevent lawful competition which will be in the public interest; the desirability of a decision as to invalidity is especially important because it is the general rule that the government cannot bring suit to have a patent declared invalid . . . .

Cover v. Schwartz, 133 F.2d 541, 545 (2d Cir. 1942) (footnote omitted). Second, to underline this, *Sinclair & Carroll* was in fact a decision invalidating the patent at issue. Third, the decision predated by seven years the enactment of section 103 of title 35 of the U.S. Code, which introduced the objective standard of non-obviousness for patentability that is applicable in EDAP's suit against Diasonics. It is not only inversion but inappropriate for EDAP to invoke authority fostering the invalidation of patents to support its continuing effort to invade Wolf's privacy for the sole purpose of shoring up the validity of EDAP's patent.[6]

II. The Decisions Below Were Not Contrary to Law

Petitioner begins its legal arguments by relying on this Court's decision in *Ex Parte Uppercu*, 239 U.S. 435 (1915). In *Uppercu*, however, unlike the present case, there was no protective order prior to the settlement of the prior action, there was no evidence that in entering into the settlement the parties relied on the order sealing the court record, the lower court's order sealed the entire record indiscriminately, the person producing the materials at issue was a party to one of the two subsequent litigations, and all of the parties in both subsequent litigations had been

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[6] It should be noted that EDAP's patent does not pertain to the ground-breaking innovation that the petition implies (at 4 n. 5). There were lithotriptors in existence and on the market for some time before EDAP's was developed, and EDAP's is not yet approved by the FDA for marketing in the United States. At best, EDAP's patent, if valid, covers an incremental improvement to technology pioneered and developed by several others. Thus, EDAP's elaborate efforts to establish its patent's validity is in pursuit of a private property interest rather than a public interest of any note. The self-serving and irrelevant suggestions in the petition that Wolf copied EDAP's invention were belied by the record below and are not worthy of further response.

involved in the initial litigation in which the record was sealed. In direct contrast, EDAP and Wolf had negotiated and stipulated to a *selective* protective order *prior* to producing the materials at issue, Wolf relied on the terms of that order — including the requirement of the materials' return or destruction — in producing the materials and in settling the action, Diasonics had no involvement with this action, and Wolf is not a party to EDAP's suit against Diasonics.

Wolf in effect has a privilege pursuant to the explicit terms of the protective order to object to its materials' use in another litigation and to insist on their return or destruction. *Cf. Ex Parte Uppercu*, 239 U.S. at 440. The order, well within the authority of Fed. R. Civ. P. 26(c), is also therefore an "exception . . . to the general rule" that EDAP would rely upon. *Ex Parte Uppercu*, 239 U.S. at 440.

In its claim that the Federal Circuit's decision below was contrary to the applicable law of the Seventh Circuit, EDAP relies primarily on *Wilk v. American Medical Assoc.*, 635 F.2d 1295 (7th Cir. 1980). In *Wilk*, several chiropractors had sued the AMA and other defendants in the United States District Court for the Northern District of Illinois for a conspiracy under the antitrust laws to boycott chiropractors and for monopolization. The defendants obtained a protective order, and there was extensive discovery subject to the protective order. *Id.* at 1296.

The State of New York brought a separate *parens patriae* antitrust action against the AMA and most of the other *Wilk* defendants in the United States District Court for the Eastern District of New York. Several *Wilk* defendants moved to transfer the New York case to Illinois. The Multi-District Panel denied the motion on the ground that a transfer would delay the trial of the Illinois case, where discovery had been virtually completed, but contemplated that the discovery in the Illinois case would be available for use in the New York action. *Id.* at 1296-97.

The State of New York moved to intervene in the *Wilk* action for the purpose of modifying the protective order to allow access to the discovery in the Illinois case. The Illinois court

found that the intervenor had failed to meet the requirement of *American Tel. and Tel. Co. v. Grady*, 594 F.2d 594 (7th Cir.), *cert. denied*, 440 U.S. 971 (1979), that protective orders may only be modified for the benefit of collateral litigants when "exceptional circumstances" are present. *Wilk*, 635 F.2d at 1297. The Court of Appeals for the Seventh Circuit reversed. It distinguished *Grady* on the ground that *Grady* really stood for the proposition that "a collateral litigant has no right to obtain discovery materials that are privileged or otherwise immune from eventual involuntary discovery in the collateral litigation." *Wilk*, 635 F.2d at 1300.

Petitioner's heavy reliance on *Wilk* is misplaced for several reasons, each of which is itself a ground for denying the petition, as a number of decisions of the lower federal courts show:

1. The defendants in *Wilk* who resisted the modification of the protective order in the Illinois action were also defendants in the New York action. In essence, they wanted to put their adversary in New York to the trouble and expense of duplicating the discovery that these same defendants had produced in Illinois.

Wilk understandably held in the name of efficiency that such a duplication should be unnecessary where the information sought is discoverable in any event as a matter of right by simple notice under Fed. R. Civ. P. 26 *et seq.* Other cases relied upon by petitioner present a similar pattern. *See Olympic Refining Co. v. Carter*, 332 F.2d 260, 261 (9th Cir.), *cert. denied*, 379 U.S. 900 (1964); *Phillips Petroleum Co. v. Pickens*, 105 F.R.D. 545, 546 (N.D. Tex. 1985); *see also In re "Agent Orange" Product Liability Litigation*, 104 F.R.D. 559, 562 (E.D.N.Y. 1985) (those seeking access to discovery materials were actually plaintiffs in the *same* class action in which the protective order had been entered).

In the case at bar, Wolf is *not* a defendant in the California action. In essence, EDAP argues that Wolf's participation in the first litigation effectively waived Wolf's rights as a third-party witness in any other litigation to which EDAP — but not Wolf

– is a party and that EDAP should have the right to use Wolf's court-protected materials in any such litigation. This is not an effort to achieve efficiency but an attempt by EDAP to avoid the discovery safeguards to which a third-party witness has a justifiable right as a stranger to the second lawsuit.

In contrast to the distinguishable authorities relied upon by EDAP, the federal courts have often refused to modify a protective order to allow access to materials produced by a party under that order when the materials were later sought for a purpose other than use in another civil litigation to which the producing entity was once again a party. *See Martindell v. Int'l Tel. and Tel. Corp.*, 594 F.2d 291, 295-97 (2d Cir. 1979); *In re Air Crash Disaster*, 130 F.R.D. 634, 636-40 (E.D. Mich. 1989); *Tavoulareas v. Washington Post Co.*, 111 F.R.D. 653 (D.D.C. 1986); *State of Louisiana v. United States*, 656 F. Supp. 1310, 1321-22 (W.D. La. 1986), *aff'd*, 832 F.2d 935, *reh'g denied*, 836 F.2d 1346 (5th Cir. 1987), *cert. denied*, 485 U.S. 1033 (1988); *H.L. Hayden Co. v. Siemens Medical Systems*, 106 F.R.D. 551 (S.D.N.Y. 1985), *app. denied*, 797 F.2d 85 (2d Cir. 1986); *GAF Corp. v. Eastman Kodak Co.*, 415 F. Supp. 129 (S.D.N.Y. 1976).

2. *Wilk* did not involve a situation, such as the one at bar, where EDAP settled its case with Wolf with the understanding that the protective order would remain in force and that confidential documents would be destroyed or returned. As soon as their settlement had been signed and implemented and Wolf had destroyed EDAP's confidential documents, EDAP tried to renege on its agreements by moving to modify the protective order to allow EDAP to use the Wolf documents in the California lawsuit to which Wolf is not a party.

Unlike the motion by the State of New York in *Wilk*, EDAP's actions were a clear violation of the letter and spirit of the protective order, the settlement agreement and the consent judgment. *See also Omega Homes, Inc. v. Citicorp Acceptance Co.*, 656 F. Supp. at 404 ("[t]he court refuses to endorse Omega's tactic of inducing broad disclosure under a set of ground rules and of then avoiding any limitations on itself by asking the court to come in and change those rules"). Wolf's reliance on the

protective order in producing the materials in the first instance and in settling the case militates against any modification of the order. *See id.; accord, Federal Deposit Ins. Co. v. Ernst & Ernst*, 677 F.2d 230, 232 (2d Cir. 1982); *Martindell v. Int'l. Tel and Tel. Corp.*, 594 F.2d at 295-96; *Tavoulareas v. Washington Post Co.*, 111 F.R.D. at 658-61; *H.L. Hayden Co. v. Siemens Medical Systems*, 106 F.R.D. at 555; *GAF Corp. v. Eastman Kodak Co.*, 415 F. Supp. at 131-32.

3. As noted earlier, *Wilk* and *Grady* both held that a collateral litigant has no right to obtain discovery materials that are privileged or otherwise immune from discovery in the collateral litigation. EDAP now complains that it may be difficult for EDAP to obtain discovery against Wolf in the California action because of the problems of obtaining discovery against a third-party witness in Germany. EDAP's argument, however, begs the question.

In the Illinois case, Wolf was required to produce its confidential documents because it was the plaintiff in a declaratory judgment action and its suit could have been dismissed or Wolf could have faced a default judgment on EDAP's counterclaim for infringement if Wolf had refused to provide discovery. But, having settled the Illinois action, Wolf is now entitled to the full rights and protections of a third-party witness under federal civil procedure, including the applicable provisions of the Hague Evidence Convention.[7] *See, e.g., McLaughlin v. Fellows Gear Shaper Co.*, 102 F.R.D. 956, 958 (E.D. Pa. 1984); *cf. Societe Nationale Industrielle Aerospatiale v. United States District Court*, 482 U.S. 522, 546 (1987). The fact that Wolf was once a litigant in an Illinois case that was settled should not entitle its former adversary in Illinois, EDAP, to treat Wolf as though it were a party to EDAP's California case against Diasonics. In short, EDAP's violation of the protective order and of the settlement agreement should not give it greater rights against Wolf than it would otherwise have.

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[7] The Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, *opened for signature* June 1, 1970, 23 U.S.T. 2555, T.I.A.S. No. 7444.

4. A final factor that distinguishes this case from *Wilk* is that the AMA and other defendants in *Wilk*, as parties to both of the pending actions, had the ability to police compliance with the protective orders in both. In the Illinois action below, Wolf had the ability to police compliance with that protective order. It would be difficult, if not impossible, for Wolf to police compliance with the protective order in the California action, to which Wolf is not even a party. There is therefore an infinitely greater danger that Wolf's confidential data will be revealed to employees of its two direct competitors, EDAP and Diasonics, in the California action.

EDAP asserts that Wolf's confidential documents and deposition testimony will be disclosed only to Diasonics' attorneys. EDAP's position on this, however, is plainly fallacious. If EDAP is to use any of the Wolf information to support EDAP's patent at trial, then the information will necessarily be disclosed to employees of Wolf's competitors, namely, EDAP and Diasonics, who will have to discuss the Wolf information on the witness stand. Moreover, either Diasonics or EDAP, or some other competitor in still another litigation, could seek at any time to modify the protective order in the California action, especially if EDAP's position in its petition before this Court prevails. The better position, one that preserves both Wolf's privacy and the integrity of the protective order at issue, is to deny the petition.

In *Micro Motion, Inc. v. Kane Steel Co.*, 894 F.2d 1318 (Fed. Cir. 1990), plaintiff Micro Motion sought discovery from a third-party witness in a patent infringement suit. The third-party witness, K-Flow, objected. The district court ordered some but not all of the discovery sought, and both parties appealed. The court of appeals concluded that "Micro Motion [had] established no right under the Federal Rules of Civil Procedure to the discovery it requested . . . ." 894 F.2d at 1320.

Micro Motion asserted in its favor, as does EDAP here, that a protective order accorded K-Flow all the protection it needed. The Federal Circuit responded with observations equally applicable to the case at bar:

> As an initial matter, we reject Micro Motion's argument that the protective order, entered by the court here, obviates K-Flow's objections to discovery. The protective order is not a substitute for establishing relevance or need. . . . information supplied by K-Flow is placed in risk of public disclosure by the very terms of the California protective order. To illustrate, the designation of material as "confidential" by K-Flow would not be controlling. The California court retains authority to decide what materials are properly deemed "confidential" and what part of the trial shall be *in camera*. It would be divorced from reality to believe that either party here would serve as the champion of its competitor K-Flow either to maintain the confidentiality designation or to limit public disclosure as much as possible during trial. K-Flow would, in fact, lose all control of the situation since disclosure of its information depends on the action by a court before whom it has no standing.

894 F.2d at 1325.

Considering that EDAP had negotiated and stipulated to the terms of the protective order, it is interesting that EDAP fails to mention one aspect of Seventh Circuit law that directly supports the decisions below not to modify that order. "[W]here a protective order is agreed to by the parties before its presentation to the court, there is a higher burden on the movant to justify the modification of the order." *American Tel. and Tel Co. v. Grady*, 594 F.2d 594, 597 (7th Cir.), *cert. denied*, 440 U.S. 971 (1979); *see also In re Air Crash Disaster*, 130 F.R.D. 634, 638-39 (E.D. Mich. 1989)(in the Sixth Circuit, the party seeking modification of a protective order "has the burden of explaining why its needs outweigh existing privacy concerns" of the producing party); *Tavoulareas v. Washington Post Co.*, 111 F.R.D. 653, 659-60 (D.D.C. 1986) (in describing harm potentially flowing from modification of protective order to allow disclosure of confidential materials, party need not meet the standard of particularity required where a court is considering whether to enter the order initially, since the order is a *prima*

facie finding that harm will result from disclosure). As the Magistrate and the district court found, and the court of appeals affirmed, EDAP did not meet its burden.

Decisions from two other courts of appeal relied upon by EDAP are easily distinguished. In *Public Citizen v. Liggett Group*, 858 F.2d 775 (lst Cir. 1988), *cert. denied*, 488 U.S. 1030 (1989), there was a single litigation, and a non-party sought access on the two primary grounds that (i) "the protective order . . . was a blanket protective order, . . . extending broad protection to *all* documents produced by Liggett" and (2) "the documents that Public Citizen seeks are *not* documents that . . . contain trade secrets or other specially confidential material" and were documents that the district court had presumed "would become public in any event." 858 F.2d at 790-91 (first emphasis added, second in original). Also, it should be noted that Public Citizen was *not* seeking to use the documents against Liggett in a second litigation.

The protective order here was not a blanket order and required Wolf to designate individually which documents were "confidential" or "sensitive confidential." In addition, the burden was on the producing party to justify each designation that was challenged. Wolf has maintained that these documents contain technological trade secrets and other highly confidential material, such as research and development data and financial information, which had been subject to continuing protection throughout the original action and which could be used to Wolf's significant detriment by competitors such as EDAP and Diasonics.

In *Meyer Goldberg, Inc. v. Fisher Foods*, 823 F.2d 159 (6th Cir. 1987), the plaintiff in a second litigation against the same defendants as in the first sought production of tape recordings of conversations among the parties to the first litigation that had originally been produced by the plaintiff there. Although the defendants in the second litigation opposed production, the plaintiff from the first litigation — the original producing party — did not. *Id.* at 161 and 162; *see also id.* at 163 ("the record in this case nowhere reflects a confidentiality relied upon by any

party now before the court"). This case is totally inapposite to the present matter, where Wolf relied on the confidentiality order both in producing the documents and in settling this action and has strenuously opposed production of the materials sought for the California action.

III. The Decisions Below Were Not Clearly Erroneous

Several potential uses of the confidential documents in the California litigation were before the Magistrate. Diasonics' failure to object to the Magistrate's order eliminated the issue of its document request as well as any need for EDAP to rebut Diasonics' use of Wolf's documents. The denial by the California district court of Diasonics' motion to assert a collateral estoppel defense based on the decision of the English court in favor of Wolf (see EDAP's petition at 7 n. 3) eliminated that concern. The only use of the documents remaining at issue is EDAP's desire as plaintiff in the California action to use the Wolf documents as evidence that EDAP's patent is valid due to "secondary indicia" of nonobviousness, such as long-felt need and alleged failure by Wolf.

Magistrate Bucklo below carefully reviewed the arguments in favor of modifying the protective order and concluded (A12):

> All of the considerations favoring enforcement of the nondisclosure terms of the protective order are applicable in this case. The parties to this case are competitors. They agreed to a protective order in which documents and other information produced by one side would be returned or destroyed at the conclusion of the case.

The Magistrate premised her decision on Wolf's reliance on the protective order when it first produced those documents and later settled the case, on EDAP's violation of that order, and on EDAP's failure to show sufficient cause to modify the order. As already related *supra*, there is ample evidence in the record to support the Magistrate's conclusions and their affirmance by the district court and court of appeals.

Furthermore, EDAP's motion would have required Wolf to surrender thousands of pages of confidential deposition testimony and internal documents to two of its competitors for their own litigation purposes. EDAP's conclusory assertion that these are all necessary for the California litigation was unelaborated and unsupported. EDAP did not even bother in its application below to discuss the relevance of any specific document or deposition testimony, or even categories of documents, much less materiality. Nor is discovery of this scope from a third-party witness appropriate for such a secondary issue.

EDAP's application is an attempt to clothe the "wolf" of its violation of the protective order and settlement agreement below in the sheep's clothing of a self-trumpeted public interest. This effort is disingenuous, and EDAP's attempted invocation of a public interest is overblown. The real public interest lies in protecting the enforceability of protective orders and thus their reliability. As this Court said in *Seattle Times Co. v. Rhinehart:*

> The trial court is in the best position to weigh fairly the competing needs and interests of parties affected by discovery. The unique character of the discovery process requires that the trial court have substantial latitude to fashion protective orders.

467 U.S. at 36. The trial court's exercise of its discretion within that latitude was affirmed by the court of appeals, and there is no need for this Court to review, much less to disturb that action.

CONCLUSION AND RELIEF SOUGHT

For the reasons stated herein, we request that EDAP's petition be dismissed and the writ of certiorari denied.

Respectfully submitted,

WILLIAM SCHURTMAN
GREGORY F. HAUSER
WALTER, CONSTON, ALEXANDER
& GREEN, P.C.
Attorneys for Respondents
90 Park Avenue
New York, New York 10016
(212) 210-9400